



**DRAFT**

**Board Meeting  
May 17, 2013**

**PRESENT:** Jack Rodgers, Chairperson; Mark Pierzchala, Councilmember; Barb Matthews, City Manager; Cpl. Chris Peck, FOP Representative; Derrick Pierson, Union Representative; Anita McCombs, AAME Representative. Also in attendance were Gavin Cohen, Executive Secretary to the Board; Daisy Harley, Human Resources; Tim Peifer, Finance Department; Debra Daniel, City Attorney; Sanjit Puri, Hay Group; as well as Ryen Sherman, and Bob Liberto, Segal Rogerscasey, Inc.

The meeting commenced at 9:00 a.m. with introductions.

Mr. Cohen welcomed Mr. Pierson and requested that he provide the Board with his contact information.

Mr. Rodgers mentioned the article located in the packet before Agenda Item I. He referred to item #3, "Receiving Fiduciary Training" and stated that he would be very much interested in education and continuing education in this area. Mr. Cohen responded that Segal has provided training in the past. He said he could schedule Segal to give the training that Mr. Rodgers is interested in. He said he would have it done for the next meeting.

**I. Approval of Minutes February 15, 2013:**

Mr. Rodgers stated that he submitted revisions and that what was before everyone was his red line copy with the revisions. He said that besides the changes he also requested clarification on the Trust reimbursing the City. Mr. Cohen explained that the first four years the City contributed to the Trust and paid the benefits in order to build-up the Trust. Now that the Trust has sufficient funds to pay for the retiree health care benefits, it will pay for the benefits starting in fiscal year 2013. Councilmember Pierzchala moved to accept the minutes with revisions. Ms. Matthews seconded it. All were in favor.

**II. Chapter 15 Code Changes:**

This item is before the Board to modernize the code and replicate what is happening in practice. Mr. Rodgers requested for discussion that the Board go through the proposed code changes item by item. He asked if the Board had any comments on the draft as proposed. Mr. Cohen said in section 15-81, paragraph one, that the branding, "ROCKers" was included in the code. Councilmember Pierzchala is concerned with leaving it in the code because it could be obsolete in 10 years. He said he would not include it and is fine with the rest of that paragraph. Mr. Rodgers questioned the word "System" in the last sentence of Section 15-81, paragraph one. Mr. Cohen said the word "System" should be "Plan". Mr. Rodgers suggested that the phrase "*and payment of expenses incurred in administration of the Plan*" be added to the end of the last sentence of paragraph two of Section 15-81. Councilmember Pierzchala referred to the last paragraph of Section 15-81 and section 15-83b and said that it is confusing who the plan is for and who the fiduciary is acting on the behalf of. He said there is a need to clarify member from fiduciary. Mr. Cohen responded that when a person is hired by the City in a certain capacity and entered in the Plan that person is a member. He asked if it is preferable to use the term participant instead of member. Councilmember Pierzchala said you could just add the word Board before member to areas of fiduciary. Mr. Cohen said it reads the same as these proposed changes in the Investment Policy that the Board adopts. He also said the purpose of these



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changes is to make it clear to a person serving on this Board that they have a fiduciary responsibility. Mr. Cohen said the code will follow the ERISA standard. Ms. Daniel would like to take a look at language in the ERISA standard and the investment policy before a decision is made to include it in the code. Councilmember Pierzchala likes the idea of new Board member signing a statement that they understand the responsibility of serving on the Board. Ms. Daniel would like to add this to Section 15-83. The Board agreed to section 15-85. In the last sentence of Section 15-87, paragraph a(5), Mr. Rodgers would like to add "authorize the" after "investment vehicles" and before "transition assets" and also insert "of" between "transition" and "assets". The phrase would then read, "and authorize transitions of assets from....". In Section 15-87, paragraph a(6) there are no changes. Mr. Cohen suggested in the last sentence of Section 15-87, paragraph b(6) to delete, "may delegate to the investment manager any power or discretion conferred on the Board by this Chapter and leave the rest of the sentence. Councilmember Pierzchala has no problem with this and it shows the scope of the Board members' duties are quite wide. Mr. Cohen pointed out that in Section 15-87, paragraph (18)-(21), the Board takes recommendations to the Mayor and Council. Mr. Rodgers liked all paragraphs (7) through (21) of Section 15-87 and had a suggestion for paragraph (18). After "Incur expenses" add, "and make payments from fund principal and income". Mr. Cohen stated that Ms. Daniel will make the changes as discussed and approved. Councilmember Pierzchala wants it to be clear what the roles are of Mayor and Council and Board members and Ms. Daniel said that this is only part of the code and will bring the rest of it to the next meeting and will make it clear what Plan Documents mean when it is put in the brief book. The Board provided direction to Ms. Daniel to make the agreed upon changes and to have Ms. Daniel bring the revised code back at the next meeting on September 27, 2013.

Segal Rogerscasey left the room for the following item.

III. RFP For Investment Consulting Services RFP #19-13:

Mr. Cohen gave the background on the issuance of the RFP and went over the scoring matrix and how each vendor ranked. There were four people on the review committee, Mr. Cohen, Mr. Peifer, Ms. Webster, and Mr. Rodgers. They reviewed and scored each proposal independently. Each person came up with Segal Rogerscasey as number one, primarily due to the pricing not changing. The review committee also felt that Segal Rogerscasey has been doing a much better job since replacing the original manager. The company will also include managing the Retiree Benefit Trust for only an additional \$5,000.00. The review committee recommended Segal Rogerscasey as the best value to the Board. Staff will take the Board recommendation to Mayor and Council on June. 10. Ms. Matthews moved to recommend moving forward to award contract to Segal Rogerscasey. Councilmember Pierzchala seconded it. All were in favor.

IV. Goal Maker:

Mr. Cohen presented this item. There are two plans to increase online participant usage of educational tools and to increase understanding of diversification and rebalancing by Thrift Plan participants. Plan A is to hold a raffle drawing of two Apple I-Pad 64GB devices with Retina Display and WI-FI. To enter the raffle, employees must have or open an account with Prudential, and utilize Goal Maker. They will need to provide a printout reflecting that they have completed



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steps 1-9 listed on the “Goalmaker Raffle Proposal” as well as a print out of the “Congratulations” screen with their name on it and then send the latter item to Mr. Cohen to be entered into a drawing for the I-Pads. Plan B would be to purchase copies of the “Ready or Not” Retirement Planning Guide to give away. Ms. Matthews made the motion to authorize the purchase of two I-pads for the purpose of this raffle. Cpl. Peck seconded it. All were in favor. The Board decided to rest Plan B for now. Ms. Matthews suggested bringing in a representative from Social Security and other providers to be available to provide education to participants.

V. Investment Performance Review Quarter End March 31, 2013 Pension Fund and Thrift Plan:

Mr. Liberto and Mr. Sherman from Segal Rogerscasey reviewed the first quarter performance reports and did an educational presentation on hedge funds.

Mr. Liberto gave the performance report on the Thrift Plan. He said the market value of assets at the end of the quarter was \$21.8 million. This represented an increase of \$1.4 million over the quarter, which was primarily due to investment gains and the employer contribution. Goal Maker accounts for 21.8% of the assets with a 24.8% utilization rate. The performance of the Goal Maker funds has been better than the universe over most time periods. At the last meeting, the Board requested Segal to see if they can add the REIT and Emerging Market Equity funds to Goal Maker. Prudential said they do not currently allow REIT funds in Goal Maker and only allow Emerging Markets investment by means of a Diversified Real Asset fund. They can also add an International Bond fund to further diversify Goal Maker. The Board would like Segal to review searches for International Bonds and Diversified Real Assets at the next meeting. The only investment option that has not performed well is the Invesco mid cap fund. This is a relatively new fund to the Plan and Segal stated it has been a difficult environment for active managers in recent periods. The Board elected to put Invesco on the watch list. Segal talked about possibly adding an index fund or replacing Invesco with an index if they do not improve. The Board directed Segal to perform two fund manager searches for International Bonds and Diversified Real Assets.

Segal recommended transferring assets now invested in the Seligman Tech fund to the Jennison large cap growth fund due to the small amount of assets allocated to the Seligman Tech Fund, poor performance, and style overlap with the Jennison fund. The Board concurred with this recommendation.

Segal discussed issues City associated with Prudential. Since Prudential was hired on both plans a couple of years ago, there have been three different Prudential representatives for the DC plan and two for the DB plan. In addition, Prudential has not done any education/communication programs yet and Segal recommends having Prudential attend the next meeting. The Board directed Segal to engage with Prudential to verify Prudential has been meeting their contractual obligations regarding education.

Mr. Sherman gave the performance report on the Pension Fund. He reviewed the April update and fund is up 6.8% for the year to date time period. Manning and Napier was moved from a mutual fund to a separate account during the quarter, which reduced the fees from 1.13% to



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0.75%. Manning was positive for the month of April, while the benchmark was negative, showing the benefits of active management.

**VI. Investment Policy – Asset Allocation Discussion:**

Segal revisited the discussion from the last meeting regarding the asset allocation. They talked about adding several different asset classes, but the Board would like some education to become more comfortable before implementing any changes. They provided an educational presentation on Hedge Funds, which described the characteristics of the asset classes and different ways to invest. The Board seemed most comfortable implementing through a Global Tactical Asset Allocation (GTAA) strategy due to the higher level of transparency, better liquidity, and lower fee structure. The Board directed Segal to perform a fund manager search for a GTAA manager and to make a recommendation at the next meeting. They would also like Segal to present an educational piece on potential investment in commodities.

Lunch 12:00- 12:15

**VII. RB Trust Investment Performance Review Quarter End March 31, 2013:**

Mr. Cohen announced to the Board that the new contract with Segal will include handling the Retiree Benefit Trust in the future. Mr. Sherman thanked the Board for the continued business. He also asked about the date of the next meeting since he and Mr. Liberto needed to leave the meeting at this time to catch their flight. The proposed date decided was September 27, 2013.

Mr. Cohen stated that the Retiree Benefit Trust finished the quarter ahead of the benchmark and that concludes the report.

**VIII. Review of FY 2014/FY 2015 RBT Actuarial Valuation Report:**

Mr. Cohen introduced Mr. Puri from the Hay Group to the Board as the new project manager. Mr. Puri started with saying that this is the second valuation report and that they are done every other year. The last one was done in 2011 and this one is for contributions projected in 2014 and 2015. He has been with the Hay Group for ten years. Changes in the report from the prior review are on page 38 and include going from 7.22% to 7.50% for the discount rate due to the GASB requirement. Medical trends were updated using the Society of Actuaries Long Term Healthcare Cost Trend. Mortality rates were updated from non-projected RP2000 to RP2000 projected to 2020 using Scale AA. These changes made since the last report have resulted in lowering the health care trends. Mortality table revisions indicate that people are living longer and life expectancy is raised by one year since the last report. The withdrawal rate was not incorporated in the last study and by using this information, liability decreases and this reduces the budget by about \$130,000.00. As of today the Plan is 40% funded. The only other plan that comes close to the City's level of funding is the Airport Authority. After the Board discussion, the Board accepted the FY 2014 and FY 2015 Actuarial Valuation Report. Mr. Puri is going to make some minor typo adjustments and then will issue the final report.



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IX. Future Agendas:

- Segal coming back with two fund searches and GTAA education and commodities
- Chapter 15 Code changes
- Board liability insurance
- Plan amendments pertaining to death benefit change if elect 100% survivorship
- Propose cap on part time employees to be raised from 20 hours worked to 30 before automatically put in plan
- Limit sick leave service credit conversion (put cap on it)
- Retiree health to end when reach 65

Ms. Matthews made motion to adjourn. Mr. Pierson seconded it. All were in favor.  
Meeting adjourned at 12:50